

LABOR

Crosscutting Labor Issues

Elimination and Consolidation of Boards and Commissions. The Governor has included changes to five labor boards in his reorganization plan. These proposals will be submitted to the Little Hoover Commission for comment, and then submitted to the Legislature for action.

- **Merger of three labor boards:** The Governor proposes to merge the Occupational Safety and Health Appeals Board, the Unemployment Insurance Appeals Board, and the Workers' Compensation Appeals Board into a single newly-created nine-member commission. The existing boards rule on disputes between workers and employers in their specific subject-matter areas. All board members are paid a salary.
- **Elimination of the Industrial Welfare Commission (Commission):** The Governor proposes to transfer the functions of the Commission to the Labor and Workforce Development Agency. The Commission includes five members with two members representing labor, two members representing employers and one member representing the general public. All members are appointed by the Governor with the consent of the Senate. Statute requires the Commission to conduct a full review of the adequacy of the minimum wage at least once every two years. The Legislature de-funded the Commission for 2004-05.
- **Elimination of the Commission on Health and Safety and Workers' Compensation (Commission).** The Governor proposes to transfer the functions of the Commission to the Labor and Workforce Development Agency. The Commission is a joint labor-management body created in 1993 and charged with overseeing the health and safety and workers' compensation systems and recommending administrative or legislative modifications. Commission members do not receive salaries. Four members are appointed by the Governor and four by the Legislature.

0559 Secretary for Labor and Workforce Development Agency

The Labor and Workforce Development Agency brings together the departments, boards and commissions that train, protect and provide benefits, such as unemployment insurance and workers' compensation, to employees and employers of California. The Labor and Workforce Development Agency includes the Department of Industrial Relations, the Employment Development Department, the Agricultural Labor Relations Board and the Workforce Investment Board. The Agency provides policy and enforcement coordination of California's labor and employment programs and policy and budget direction for the departments and boards.

The Governor proposes \$2.2 million (reimbursements) and 13.2 positions for the Office of the Secretary, an increase of \$19,000 over the current year.

7100 Employment Development Department

The Employment Development Department (EDD) administers services to employers, employees, and job seekers. The EDD pays benefits to eligible workers who become unemployed or disabled, collects payroll taxes, administers the Family Leave program, and assists job seekers by providing employment and training programs under the federal Welfare-to-Work Act of 1997 and Workforce Investment Act of 1998. In addition, the EDD collects and provides comprehensive labor market information concerning California's workforce.

The Governor proposes \$11.6 billion (\$19.2 million General Fund), a decrease of \$562.3 million (4.6 percent) from the current-year budget. The change is primarily driven by a projected decrease in benefit claims due to improved economic conditions.

Expenditure by Program (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Employment & Employment Services	\$214,862	\$217,174	\$2,312	1.1
Tax Collections & Benefit Payment	11,259,402	10,726,262	-533,140	-4.7
Unemployment Insurance Appeals Board	74,735	75,551	816	1.1
Administration	47,174	52,894	5,720	12.1
Distributed Administration	(46,515)	(51,194)	-4,679	0.0
Employment Training Panel	44,041	36,073	-7,968	-18.1
Workforce Investment Act	477,720	452,685	-25,035	-5.2
National Emergency Grant Program	45,000	45,000	0	0.0
Unallocated Reduction		(299)	-299	0.0
Total	\$12,116,419	\$11,554,146	-\$562,273	-4.6

Major Budget Proposals

Program Benefit Adjustments. The EDD budget reflects adjusted benefit expenditures in the current year and budget year. The adjustments are a result of recent benefit claim levels, and of the October 2004 forecast of future claims. The Department will submit a revised forecast for benefit expenditures as part of the May Revision.

- Unemployment Insurance (UI): Benefits are proposed to decrease by \$13 million in 2004-05 and decrease by \$401.6 million in 2005-06.
- Disability Program: Benefits are proposed to increase by \$382.5 million in 2004-05 and increase by \$209.2 million in 2005-06.

- **School Employees Fund Program:** Benefits are proposed to decrease by \$34.1 million in 2004-05 and decrease by \$35.9 million in 2005-06.

Last April, the Unemployment Insurance Fund exhausted its fund balance and a short-term federal loan was obtained. The loan was repaid in May with no interest penalty. The current benefit forecast suggests another loan will be required in the spring of 2005; however, like last year, it is expected the fund balance will rebound and the balance will be positive at the end of calendar-year 2005. Last year, the Legislative Analyst's Office suggested there is a long-term solvency problem for the UI Fund absent corrective action. The Administration has not submitted a proposal to deal with long-term UI Fund solvency; however, it is requesting budget authority to pay any federal interest charges, if they are required, with the EDD Contingent Fund.

Benefit-Audit Augmentation. The Governor proposes an augmentation of \$9.1 million (special funds) and 147 temporary positions to liquidate the benefits-audit backlog. The Administration indicates there is a 2.1 million benefit-audit backlog, and the expected recovery is \$42.1 million (special funds).

Economic and Employment Enforcement Coalition. The Governor proposes to augment the Employment Development Department (\$2.5 million and 23.7 positions) to conduct increased enforcement activities against employers who violate labor laws. The EDD indicates this proposal would combat a significant increase in the number of employers attempting to illegally cut operating costs by converting acknowledged employees to independent contractors. The Department of Industrial Relations and the Contractors' State License Board are the other members of the proposed Economic and Employment Enforcement Coalition.

Employment Training Panel. The proposed budget continues the practice of transferring Employment Training Panel funds to the Department of Social Services for CalWORKs employment training programs to backfill for General Fund reductions. Employment Training Panel Program expenditures are proposed at \$36 million in 2005-06, down from \$44 million in 2004-05.

7350 Department of Industrial Relations

The objective of the Department of Industrial Relations is to protect the workforce in California, improve working conditions, and advance opportunities for profitable employment. The department enforces workers' compensation insurance laws and adjudicates workers' compensation insurance claims, works to prevent industrial injuries and deaths, promulgates and enforces laws relating to wages, hours, and conditions of employment, promotes apprenticeship and other on-the-job training, assists in negotiations with parties in dispute when a work stoppage is threatened, and analyzes and disseminates statistics which measure the condition of labor in the state.

The Governor proposes \$344.1 million (\$63.1 million General Fund), an increase of \$25.1 million from the current-year budget.

Expenditures by Program (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Self-Insurance Plans	\$3,003	\$3,587	\$584	19.4
Mediation/Conciliation	2,266	2,261	-5	-0.2
Workers' Compensation	139,905	154,257	14,352	10.3
Commission on Health and Safety and Workers' Compensation	2,796	3,139	343	12.3
Division of Occupational Safety and Health	81,491	85,225	3,734	4.6
Division of Labor Standards Enforcement	43,490	46,983	3,493	8.0
Division of Apprenticeship Standards	8,369	9,991	1,622	19.4
Division of Labor Statistics and Research	3,930	3,915	-15	-0.4
Claims, Wages, and Contingencies	33,761	33,842	81	0.2
Administration	26,335	36,939	10,604	40.3
Distributed Administration	(26,335)	(36,939)	-10,604	0.0
Unallocated Reduction		(955)	-955	0.0
State-Mandated Local Programs	2	1,852	1,850	92500.0
Total	\$319,013	\$344,097	\$25,084	7.9

Major Budget Proposals

Economic and Employment Enforcement Coalition. The Governor proposes an augmentation of \$3 million (special funds) and 27.5 positions to conduct increased enforcement activities against employers who violate labor laws. The DIR would use these additional positions to increase inspection activity and issue citations and penalties to employers who keep employees “off the books” and/or do not follow workplace safety regulations. The Employment Development Department and the Contractors’ State License Board are the other members of the proposed Economic and Employment Enforcement Coalition.